

## Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00  
ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00  
FEAE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05  
OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04  
TRSE-00 ACDA-07 PA-01 PRS-01 XMB-02 IGA-02 /136 W  
-----061720Z 093688 /41

R 061245Z JAN 77

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 738

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

USINT BAGHDAD

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY TRIPOLI

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E. O. 11652: NA

TAGS: ENRG, IR

SUBJ: NIOC RESPONSE TO DECLINING CRUDE EXPORTS

REF: (A) 76 TEHRAN 10950(NOTAL), (B) 76 TEHRAN 12857

1. NIOC'S CONCERN ABOUT SALES OF ITS CRUDE IN THE FACE OF  
THE TWO-TIER PRICE SYSTEM WAS MADE PUBLIC IN A STRONGLY WORDED  
ANNOUNCEMENT BROADCAST ON THE RADIO AFTERNOON JAN 5 AND  
PUBLISHED IN LOCAL NEWSPAPERS THAT NIGHT AND MORNING JAN 6.  
THE ANNOUNCEMENT STATED THAT DESPITE THE CONTRACTS BETWEEN  
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NIOC AND 25 OIL COMPANIES THAT PROVIDE FOR THE SALE OF 60 MIL-  
LION TONS OF CRUDE IN 1977(1.2 MILLION BPD), NOIC'S DIRECT  
EXPORTS HAD FALLEN TO 693 THOUSAND BPD DURING THE FIRST FEW  
DAYS OF JANUARY. NIOC SAID THAT ITS CUSTOMERS HAVE BEEN OBJECT-  
ING TO IMPACT OF TWO-TIER PRICE SYSTEM AND HAVE REQUESTED PRICE  
REDUCTIONS. ACCORDING TO THE OFFICIAL STATEMENT IRAN IS COM-  
MITED TO OPEC PRICE DECISION EVEN THOUGH IT HAS RESULTED IN A

PRECIPITATE FALL IN EXPORTS. THE OFFICIAL ANNOUNCEMENT CONCLUDES WITH THE STATEMENT THAT QUOTE ALL PURCHASERS... WHO ARE NOT HONORING THEIR COMMITMENTS... WILL DEFINITELY BE BROUGHT UNDER THE BLACKLIST OF THE NATIONAL IRANIAN OIL COMPANY. END QUOTE.

2. COMPLAINT ABOUT FAILURE OF BUYERS TO HONOR THEIR COMMITMENTS OBVIOUSLY REFERS TO PURCHASERS OF NIOC'S SHARE OF JOINT-VENTURE PRODUCTION AND OF NIOC'S "STATED QUANTITY" OIL--I.E. CRUDE FROM THE CONSORTIUM AREA SOLD DIRECTLY TO THIRD PARTY CUSTOMERS--RATHER THAN THE CONSORTIUM. BECAUSE OF THE PRACTICE ADOPTED BY NIOC IN THE LAST QUARTER OF 1976 OF REQUIRING PURCHASERS OF INCREMENTAL OIL TO AGREE TO TAKE AN EQUAL AMOUNT OF CRUDE IN THE FIRST QUARTER OF 1977(REF B), IRAN OBVIOUSLY EXPECTED ITS DIRECT SALES TO HOLD UP BETTER THAN THEY HAVE.

3. UTILITY AND TARGETS OF THREAT OF BLACKLISTING ARE NOT ENTIRELY CLEAR. PRESUMABLY, CUSTOMERS SUCH AS INDIA (BECAUSE OF PREFERENTIAL TERMS PROVIDED BY IRAN) AND ISRAEL HAVE NO USEFUL ALTERNATIVE AND WILL THEREFORE CONTINUE TO BUY "NORMAL" QUANTITIES OF IRANIAN CRUDE. JAPANESE TRADING FIRMS WHICH MIGHT BE SUSCEPTIBLE TO THREATS REGARDING ACCESS TO IRANIAN MARKET FOR THEIR EXPORTS ARE OVERWHELMINGLY CUSTOMERS OF CONSORTIUM MEMBER COMPANIES, SO THEY ARE NOT TARGETS OF THREAT. (EMBASSY HAS BEEN INFORMED BY RELIABLE AND KNOWLEDGEABLE JAPANESE TRADE SOURCE THAT ONLY TWO JAPANESE FIRMS HAVE CURRENT CONTRACTS WITH NIOC AND THAT VOLUMES OF BOTH ARE RELATIVELY SMALL.) EMBASSY BELIEVES THAT THE MAJORITY OF NIOC CUSTOMERS WHO ARE CURTAILING THEIR EXPORTS, AND WHO ARE THEREFORE TARGETS OF BLACKLISTING THREAT, ARE FIRMS OVER WHOM IRAN HAS LITTLE IMMEDIATE LEVERAGE. SUCH CUSTOMERS MAY OR MAY NOT BE LIMITED OFFICIAL USE

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RESPONSIVE TO THREAT OF FUTURE DENIAL OF ACCESS TO IRANIAN OIL DEPENDING ON WHETHER OR WHEN THEY EXPECT OIL MARKET TO BECOME TIGHT AGAIN AND WHETHER THEY EXPECT IRAN TO CARRY ITS GRUDGE FOR THAT LONG.

4. IN ADDITION TO NIOC'S ANNOUNCEMENT, TWO OTHER ITEMS OF INTEREST PERTAINING TO OIL APPEARED IN TODAY'S PRESS. AFTER AN INTERVAL OF ABOUT TWO WEEKS, AN EDITORIAL IN TEHRAN JOURNAL RETURNED TO ATTACK OF YAMANI AND SAUDI DECISION. HOWEVER, COMMENT WAS RESTRAINED IN COMPARISON TO EARLIER EDITORIALS. ANOTHER MANIFESTATION OF IRANIAN CONCERN OVER EFFECTS OF TWO-TIER PRICE SYSTEM WAS FRONT PAGE ARTICLE DATED UPI NICOSIA REPORTING THAT ABU DHABI HAS LIDTED ITS PRODUCTION CEILING AND WOULD PRODUCE BETWEEN 1.8 AND 2.0 MILLION BPD IN 1977. MIKLOS

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## Message Attributes

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